

FIFTY-SECOND ANNUAL REPORT

THE CROW'S NEST PASS COAL COMPANY,
LIMITED

FERNIE, BRITISH COLUMBIA

ESTABLISHED 1897



FOR THE YEAR ENDING DECEMBER 31, 1948

FIFTY-SECOND ANNUAL REPORT

THE CROW'S NEST PASS COAL COMPANY, LIMITED

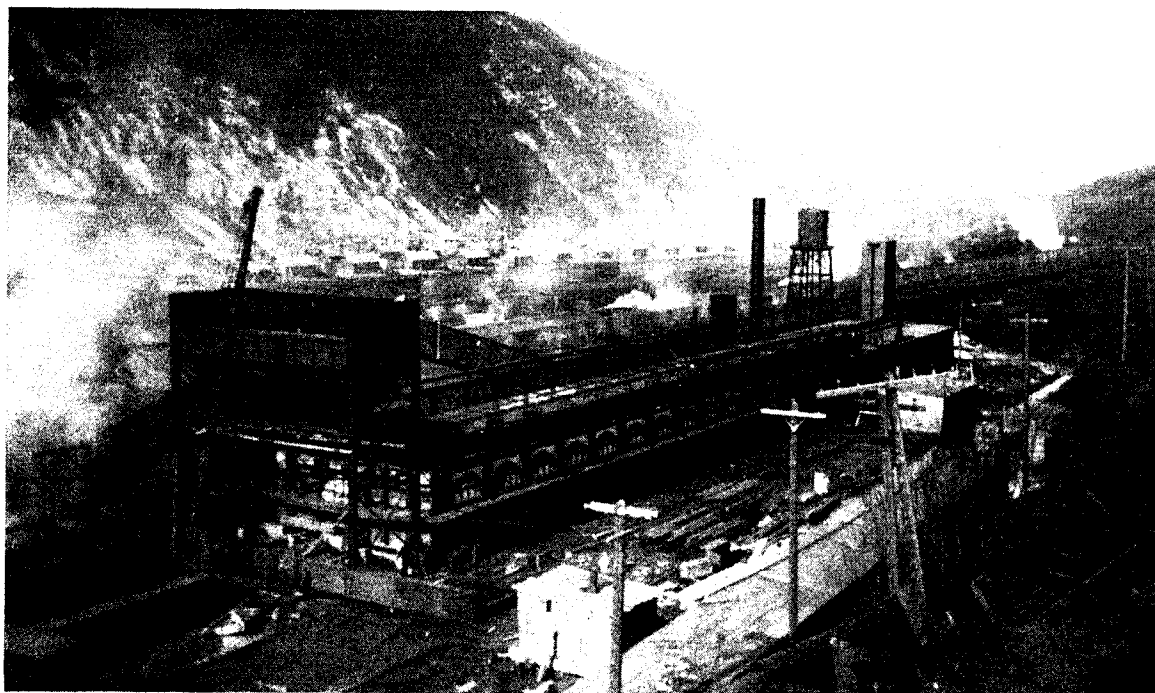
FERNIE, BRITISH COLUMBIA

(Incorporated 1897)



HEAD OFFICE, FERNIE, B.C.

YEAR 1948



NEW BY-PRODUCT COKE OVEN AT MICHEL COLLIERY

BOARD OF DIRECTORS

Erasmus C. Lindley	Thomas Balmer	Welles V. Moot
T. G. Ewart	F. D. Pratt	T. J. Thomas
	D. M. Mitchell	

EXECUTIVE COMMITTEE

Thomas Balmer, *Chairman*

T. G. Ewart	F. D. Pratt
T. J. Thomas	D. M. Mitchell

OFFICERS

Thomas Balmer	President
T. G. Ewart	First Vice-President
F. D. Pratt	Second Vice-President
J. A. Tauer	Comptroller
T. H. Wilson	General Manager
T. G. Ewart	Secretary
D. M. Mitchell	Assistant-Secretary
A. L. McPhee	Treasurer
Welch, Anderson & Company	Auditors

TRANSFER AGENTS

The Toronto General Trusts Corporation, Toronto, Ont.
Bankers Trust Company, New York, N.Y.

REGISTRARS

National Trust Company, Limited, Toronto, Ont.
Central Hanover Bank & Trust Co., New York, N.Y.

REPORT OF THE PRESIDENT

Fernie, British Columbia, March 31st, 1949

To the shareholders of The Crow's Nest Pass Coal Company, Limited:

We submit herewith the fifty-second Annual Report of your Company for the year ended December 31st, 1948, together with Balance Sheets and statements of Income and Surplus duly certified by your Auditors, Welch, Anderson and Company.

INCOME

Net profit after provision for taxes, amortization, depreciation and depletion, was \$493,284.91. This is a gratifying increase, being \$257,682.28 higher than the previous year.

DIVIDENDS

Distribution to shareholders during the year amounted to \$186,354.00, which is equivalent to \$3.00 per share. Net earnings during the year 1948 were equivalent to \$7.94 per share.

INVESTMENTS

Your Company as of the close of business on December 31st, 1948, had investments of \$1,012,453.15 in Dominion of Canada bonds at varying maturity dates. Investment in these securities was made with cash realized from depreciation and depletion reserves and is maintained as a safety measure to provide for emergency and Capital Expenditures.

CAPITAL EXPENDITURES AND NEW COKE OVENS

The net capital expenditures of an ordinary nature made by your Company and its subsidiaries during the year amounted to \$155,657.25. In addition, your Company has contracted for the construction and purchase of sixteen 40-foot by-product coke ovens adjacent to Michel Colliery. These new coke ovens were in course of construction at December 31st, 1948, and should be completed and in operation by May 1st, 1949. The amount expended on the construction of these ovens, as of December 31st, 1948, was \$766,379.18 and this is mentioned in the balance sheet as "Coke Ovens Under Construction," while the unpaid portion of the cost is shown as "Deferred Purchase Contract—Coke Ovens Under Construction," and this amounts to \$674,413.68. The deferred portion of the purchase price of the ovens will be increased upon their completion in 1949 to \$716,000.00. This amount is payable over a term of years and it is expected that the sales of coke produced by the ovens will provide the income required to meet the deferred payments and vest the title to the ovens in your Company.

PRODUCTION

Coal mined amounted to 1,006,127 tons as compared with 958,907 tons in 1947. There was a decline in underground coal production due to a strike of our employees which commenced January 14th, 1948, and terminated February 19th, 1948, together with severe flood conditions which substantially reduced production in May and June. Our strip mine operation however, increased production over the year 1947 by 137,873 tons. Coke produced amounted to 104,573 tons in 1948 compared with 104,155 tons in 1947. Every effort is being made to increase production of coal and coke for the year 1949.

MARKETS

Market conditions continue on a satisfactory basis with sales available for your total production in 1949. Your directors and management are aware of the increasing oil and gas production in Alberta and will do their utmost to keep your business abreast of changing conditions and alert to the needs of present and future customers.

EMPLOYEES

District 18, United Mine Workers of America, terminated their contract with the Western Canada Bituminous Coal Operators' Association, effective February 16th, 1949. Our employees are members of this Union and your Company is a member of the above named Association. A new contract has been signed for a period of twelve months, effective February 17th, 1949. In addition to miscellaneous benefits granted our employees, payments to the Welfare Fund of the United Mine Workers of America were increased by 10c per ton.

SUBSIDIARIES

Two subsidiary Companies are wholly owned, i.e., the Morrissey, Fernie and Michel Railway and the Crow's Nest Pass Electric Light and Power Company, Limited. According to best information and appraisal available, the investment in the subsidiaries as reflected on the parent company's books does not exceed the net worth of their assets.

RETIREMENT OF HARTLEY P. WILSON

We report, with deep regret, the decision of Mr. Hartley P. Wilson to relinquish the presidency of the Company because of failing health. At the Annual Meeting in 1948 Mr. Wilson advised the Board that he felt the condition of his health would not permit him to accept re-election. He was the Company's President from 1937 to 1948, and its General Manager for the years 1926 to 1944, and was the officer principally responsible during that period for the progressive modernization of the Company's collieries and plants. The excellent physical and financial condition of the Company today is in great measure due to the wise planning and careful management of Mr. Wilson. It is the hope of his associates in the management of the Company that in his retirement, Mr. Wilson may find the rest and leisure which will improve his health and prolong his life. Although retired from active duty and responsibility, his advice and counsel are still cordially offered and gratefully accepted by the present management, and it is hoped that this pleasant relationship may long continue.

CONCLUSION

Your Company fully realizes the necessity of maintaining its markets and will use every effort to secure maximum efficiency in its operations in the interests of both customers and shareholders.

By order of the Board of Directors,

THOMAS BALMER,
President.

THE CROW'S NEST PASS

BALANCE SHEET,

ASSETS

Cash on hand and in banks	\$ 460,131.37	
Accounts receivable—Trade and Sundry	997,455.60	
From wholly owned subsidiary company	1,472.43	
Coal, Coke, and by-products and mine's supplies— at cost or useful values	493,262.50	
Bonds and shares (Market value \$1,020,145.50) at cost	1,012,530.80	
Total Current Assets		\$2,964,852.70
Shares (no established market value)—nominal value		2.00
Imperial Bank of Canada—Dividend Account—To provide for issued and outstanding dividend cheques—per contra		5,427.39
Timber Sale Agreement—deferred balance receivable		11,000.00
Long term advance to subsidiary company	\$ 71,075.60	
Shares of wholly owned companies	335,690.03	
		406,765.63
Mines, real estate, plant and equipment, at cost less amounts written off to reserves	\$8,901,989.12	
Less: Reserves for depletion, depreciation and amortization	6,541,515.04	
		2,360,474.08
Coke ovens under construction		766,379.18
Prepaid expenses, insurance, etc.		1,791.41
Deferred charges to operations:		
Cost of removing overburden in open pit or strip mining operations in anticipation of recovery of coal	\$ 52,033.12	
Erickson lumber road and camp buildings	40,110.55	
Roads and sewers at Sparwood Townsite	26,279.85	
		118,423.52
		<u>\$6,635,115.91</u>

To the Shareholders, The Crow's Nest Pass Coal Company, Limited, Fernie, B.C.

We report that we have audited the books and accounts of your Company for the year ended December 31st, 1948, and certify that we have obtained all the information and explanations required.

We confirmed the securities of the Company held for safekeeping by the Imperial Bank of Canada, Vancouver Branch, by certificate from the depository.

The cash and bank balances were verified, either by actual count or by certificates from the depositories.

Full provision has been made for Income Taxes.

The Balance Sheet and Statement of Income submitted herewith do not include the assets, liabilities, or the operating results of your subsidiary Companies other than by way of your investment in the shares of the subsidiaries. The operations of the subsidiary Companies for the year ended December 31st, 1948, resulted in a profit.

Subject to the foregoing, we certify that the accompanying Balance Sheet and Statement of Income are, in our opinion, properly drawn up so as to exhibit respectively a true and correct view of the state of the Company's financial affairs as at December 31st, 1948, and the result of its operations for the year ended that date, according to the best of our information, the explanations given us and as shown by the books of the Company.

WELCH, ANDERSON & COMPANY

Chartered Accountants.

February 22nd, 1949.

PASS COAL COMPANY, LIMITED

SHEET, DECEMBER 31st, 1948

LIABILITIES

Accounts payable—including accrued wages.....	\$ 220,470.78
Accrued taxes and assessments—net.....	56,615.28
Accounts payable to wholly owned subsidiary company ..	43,407.62
Income taxes—remainder payable	133,106.85
Total Current Liabilities.....	<u>\$453,600.53</u>
Dividend cheques—issued and outstanding—per contra ..	5,427.39
Deferred purchase contract—coke ovens under construction ..	674,413.68

Capital—

Authorized \$10,000,000.00 divided into 100,000 shares	
of the par value of \$100.00 each	
Subscribed and paid up	\$6,212,666.66

Deficit—

December 31st, 1948, as shown on accompanying statement. ...	710,992.35
	<u>5,501,674.31</u>
	<u><u>\$6,635,115.91</u></u>

This is Balance Sheet referred to in Auditors' Report dated February 22nd, 1949.

Signed on behalf of the Board,

THOMAS BALMER, *Director*

F. D. PRATT, *Director*

THE CROW'S NEST PASS COAL COMPANY, LIMITED

STATEMENT OF INCOME

For the year ended December 31st, 1948

Profit on coal and coke operations		\$1,277,558.95
<i>Less:</i> Executive Officers' Salaries	\$ 46,517.62	
Counsel and legal fees	4,061.16	
Directors' fees	2,500.00	
Provision for depreciation and amortization of fixed assets and depletion of mines	493,148.21	
		<u>546,226.99</u>
		\$ 731,331.96
OTHER INCOME:		
Interest and dividends on securities after deducting amortization of investments - \$1,341.55 and net bank interest and exchange of \$3,050.99	\$ 15,752.42	
Sundry Income—net	12,307.38	
		<u>28,059.80</u>
		\$ 759,391.76
Provision for income taxes, current year		<u>266,106.85</u>
Net Profit for year		<u><u>\$ 493,284.91</u></u>

STATEMENT OF DEFICIT

December 31st, 1948

Distributions to shareholders to December 31st, 1939, from funds derived through creation of reserve for depletion, per resolution of Directors		*\$1,340,632.20
<i>Deduct:</i> Undistributed profits to December 31st, 1948	\$302,802.60	
Profit for year ended December 31st, 1948, as shown on Statement of Income	493,284.91	
Payment by Dominion of Canada of refundable portion of excess profits tax	28,185.12	
		<u>\$824,272.63</u>
<i>Less:</i> Dividends paid in 1948	\$186,354.00	
Net adjustment re additional depreciation pro- vision for 1947 motorized equipment	8,278.78	
		<u>194,632.78</u>
		629,639.85
<i>Deficit—December 31st, 1948—as shown on Balance Sheet</i>		<u><u>\$ 710,992.35</u></u>

*This amount represents distributions paid to Shareholders under Section 83, ss. 4 and 5, of the Dominion Companies Act.

THE CROW'S NEST PASS COAL COMPANY, LIMITED

COMPARATIVE DISTRIBUTION OF REVENUE DOLLAR

